

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 1565 – HB 1667

February 7, 2016

**SUMMARY OF ORIGINAL BILL:** Removes the permanent disqualification for organizations failing to return 25 percent of gross proceeds to charitable purposes or to programs in two consecutive annual event periods, and replaces it with a five-year disqualification. Requires the Secretary of State to notify applicants of denial of application by the last day of February each year. Removes the requirement that the Tennessee Claims Commission hear reviews of disqualified organizations. Prohibits disbursement of prizes to ineligible participants, and requires an alternate selection of winners for such prizes within 30 days of the annual event.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue –

\$700/Charitable Gaming Fund/FY16-17

\$100/Charitable Gaming Fund/FY17-18 and Subsequent Years

**SUMMARY OF AMENDMENT (011786):** Adds a new section to the bill that deletes Tenn. Code Ann. § 3-17-116 which authorizes the Tennessee Claims Commission to promulgate rules and regulations pertaining to charitable gaming as the Commission may deem necessary.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- Based on information provided by the Secretary of State (SOS), four organizations are currently permanently disqualified from holding a charitable gaming event for failure to return at least 25 percent of gross proceeds to a charitable program.
- It is not known how many of these four organizations will choose to reapply, but it is assumed that two of the four organizations will apply in FY16-17 as a result of this bill.
- Two additional disqualified organizations will apply to host charitable gaming events within each subsequent five year period, the first of which begins in FY17-18 and runs through FY21-22.

SB 1565 – HB 1667

- The current application fee for charitable gaming events ranges from \$150 - \$600 depending on the size of the event.
- The average application fee is unknown; but is reasonably estimated to average \$350 across all event sizes.
- Charitable gaming application fee revenue is deposited in the Charitable Gaming Fund.
- The increase in state revenue to the Charitable Gaming Fund in FY16-17 is estimated to be \$700 (\$350 fee x 2 organizations).
- The increase in state revenue for each subsequent five-year period is estimated to be \$700 (\$350 fee x 2 organizations). On an annualized basis, the recurring increase in state revenue to the Charitable Gaming Fund beginning in FY17-18 is estimated to be \$140 (\$700 / 5 years) per year.
- Any reduction in expenses for the Tennessee Claims Commission as a result of no longer being required to hear reviews of disqualified organizations is estimated to be not significant because there are relatively so few that become disqualified.
- No impact to state or local government as a result of the prohibition of prizes to ineligible participants.
- The Department of Treasury confirms the amendment, deleting the authorization to promulgate rules and regulations, will not result in a fiscal impact on the Tennessee Claims Commission.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

/dwl